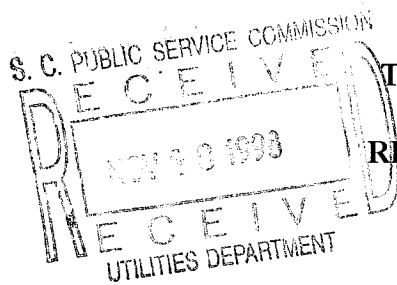
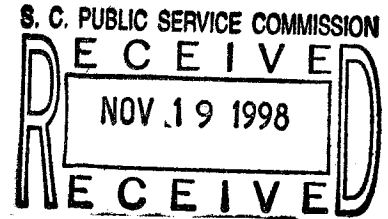


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11-19-98



TESTIMONY OF MR. JAMES D. HIX
FOR
RIVER PINES WATER SYSTEMS, INC.
DOCKET NO. 98-362-W/S



My name is James D. Hix, I reside at 4464 Cypress Cove, Rock Hill, South Carolina. I am the President of River Pines Water Systems, Inc. I was a cost accountant in the paper industry for 14 years until I started developing subdivision and building residential housing units in 1973. I am retired from the developing and construction business and spend full time managing the water and sewer systems operated by River Pines.

The purpose of my testimony is to give the commissioners a background of River Pines Water Systems, Inc. and review with you the need for this rate increase.

River Pines Water Systems, Inc. Operates a water system serving 70 customers in the River Pines subdivision just outside the Rock Hill, South Carolina city limits; a water system serving 131 customers in the Wood Forest subdivision also just outside the city limits; and a sewer system serving 104 customers also in the Wood Forest subdivision. The source of water supply for the two water systems has been from drilled wells. The sewage disposal plant receives the raw sewage into an aeration tank with secondary clarifiers and a sludge holding tank. The sewage is then hypo chlorinated and distributed into a live stream. The River Pines distribution system and the wells were built in 1973. The Wood Forest wells and distribution system was built in 1986 and 1978 and the Wood Forest sewage system was built in 1978.

The Company retains two individuals to perform maintenance on the systems which includes maintaining the sewer plant three times a week, mowing during the summer time replacing broken mains and meters and doing general maintenance work. These same two individuals read the meters for the water system.

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The Company retains one individual to do the billing, maintain customer records perform collection duties and pay bills. I manage the system which includes being on call 24 hours a day, inspecting the water and sewer systems and the sewer plant daily, dealing with customer complaints, taking water samples and assisting with the maintenance. The office for the system is located in my home.

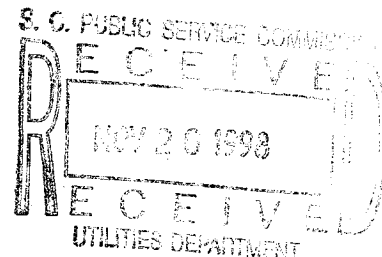
Our cost to operate the systems has been increasing annually. Over the last three years operating costs exclusive of testing fees have increased by approximately 25%. This is due to increased testing and monitoring costs, increased maintenance due to the age of the systems and general increases due to inflation.

In addition to the increased operating costs the system lost one of its wells during 1998 and has begun purchasing its water from the City of Rock Hill at a projected cost of approximately \$27,000 per year.

It has been eleven years since the last rate increase. We have tried to hold down the costs of operating the system and I believe The System's current rates fall in the bottom 25% of private utility companies in the State. The time has come when we must have the increases requested to meet our projected operating costs and provide a return to the owners.

This concludes my testimony.

**TESTIMONY OF MR. LARRY D. FRENCH
FOR
RIVER PINES WATER SYSTEMS, INC
DOCKET NO. 98-362-W/S**



My name is Larry D. French. I am a certified public accountant licensed to practice in South Carolina and currently in practice at 150 Oakland Avenue in Rock Hill, South Carolina. My firm has been retained by River Pines Water Systems, Inc. to prepare the corporation tax returns, prepare the annual reports to The Public Service Commission and to prepare the filing for this request for a water and sewer rate increase. In that capacity I prepared balance sheets, income statements and pro-forma schedules of income for the test year.

The purpose of my testimony is to explain the financial statements presented and to explain the rationale for the requested rate increase. River Pines Water Systems, Inc. operates three systems namely; the water system serving 70 customers in the River Pines subdivision; the water system serving 131 customers in the Wood Forest subdivision and a sewer system serving 104 customers in the Wood Forest subdivision. The system has no employees and gets most of its work done that requires personnel through arrangements with individuals whereby they perform these services on a contract basis. Such services include meter reading, billing and collections, maintenance and management. These costs along with general office costs which apply to two or more of the systems are distributed to the individual systems on the basis of number of customers served.

The systems are mature and projected customer growth is minimal. None for The River Pines subdivision, two over the next four years for the Wood Forest subdivision and two over the next four years for Wood Forest sewer. The requested rates were calculated to cover the increased cost of operations due to the need for purchasing water for Wood Forest Water, the increased

maintenance costs due to the age of the River Pines Water and the ever increasing costs of maintenance for the Wood Forest sewer plant. In addition the normal costs of operations namely electricity to operate the sewer plant and the wells and chemicals and testing for the systems have been increasing more than five per cent per year. Since these are stable systems with little growth projected the new rates also must cover projected increased operating expenses over the next five years. Item #5 in the filing, Pro-Forma Income Statement for the test year, reflects the expected results of the proposed increases when applied to the Year Ended October 31, 1997.

These results yield a return on the rate base for water of 16.4% and 7.2% for sewer. We expect this return to average 12% for water over the next five years and less than 7% for sewer over the same period.

Based on the above I believe the rate increases requested are warranted for River Pines Water Systems, Inc. to cover the increased cost of operations and to give the owners a fair return on their investment.

This concludes my testimony.